

Message Text

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ACTION NEA-16

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FM AMEMBASSY NEW DELHI

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OECD PARIS 1146

C O N F I D E N T I A L NEW DELHI 7590

E.O.: 11652: GDS

TAGS: EAID, IN, SW

SUBJECT: SWEDISH AID TO INDIA

REF: NEW DELHI 6153

SUMMARY: SWEDES SIGNED A DOLS 77 MILLION TWO-YEAR ASSISTANCE
AGREEMENT

WITH INDIA ON JUNE 5, REPRESENTING A 30 PERCENT RISE FROM LAST
YEAR. WHILE THE SWEDISH GOVERNMENT CONTINUES ITS POLICY OF
INCREASING AID TO INDIA EVERY YEAR, (DESPITE THE RECENT NUCLEAR
TEST), THE SWEDES ARE BECOMING DISENCHANTED WITH INDIA'S LARGE AND
INCREASING EXPENDITURES FOR SOPHISTICATED WEAPONS SYSTEMS.
END SUMMARY.

1. AN ECONOMIC ASSISTANCE AGREEMENT EQUIVALENT TO RS. 614
MILLION (DOLS 77 MILLION) WAS SIGNED IN NEW DELHI ON JUNE 5TH,
RAISING SWEDISH AID TO INDIA 30 PERCENT OVER LAST YEAR'S TOTAL.
RS. 321 MILLION IS PROVIDED FOR IFY 1974-75 AND THE REMAINDER
OF IFY 1976-77. SWEDEN HAS ALREADY AGREED TO IFY 1975-76
ASSISTANCE AMOUNTING TO RS. 257 MILLION.

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2. THE ASSISTANCE PACKAGE FOR THIS YEAR INCLUDES AN UNTIED

LOAN OF RS 183 MILLION FOR COMMODITY IMPORTS, A GRANT OF RS. 64 MILLION, TIED TO IMPORTS OF FERTILIZER, SPECIALTY STEEL, AND CAPITAL GOODS FROM SWEDEN, AND RS. 73 MILLION WORTH OF TECHNICAL ASSISTANCE IN THE FORM OF GRANTS FOR FAMILY PLANNING, FORESTRY, AND FISHING DEVELOPMENT, AND SCIENTIFIC RESEARCH. THE COMMODITY LOAN IS INTEREST FREE AND IS REPAYABLE OVER A PERIOD OF 50 YEARS, WITH AN INITIAL 10 YEAR GRACE PERIOD. THE INDIANS ARE PLEASED BY THE EASY TERMS OF THE AGREEMENT, WHICH ARE LESS RESTRICTIVE THAN THOSE OF ANY OTHER MAJOR DONOR.

3. THE GOI WELCOMED THE TIMING OF THE AID AGREEMENT, A WEEK BEFORE THE AID INDIA CONSORTIUM MEETING, AS THIS IS EXPECTED TO HELP OVER-COME THE ADVERSE REACTION OF SOME CONSORTIUM MEMBERS TO THE RECENT NUCLEAR TEST. WE HAVE BEEN TOLD BY THE SWEDES HERE THAT ALTHOUGH THE SWEDISH GOVERNMENT OFFICIALLY DEPLORED INDIA'S GOING NUCLEAR, IT HAS CAREFULLY SEPARATED THE NUCLEAR ISSUE FROM ECONOMIC ASSISTANCE. THE SWEDES PLAN TO KEEP INCREASING THEIR AID TO INDIA EVERY YEAR, IN STEP WITH GROWTH IN THEIR GNP.

4. SWEDISH EMBASSY OFFICIALS INDICATE THAT THE FAVORABLE SWEDISH ATTITUDE TOWARD ECONOMIC ASSISTANCE TO INDIA MAY BE ADVERSELY AFFECTED IN INDIA CONTINUES TO PURCHASE SOPHISTICATED AND EXPENSIVE WEAPONS SYSTEMS. WHILE THE SWEDISH GOVERNMENT IS WILLING TO EXTEND SOFT LOANS FOR CIVILIAN SHIPYARD CONSTRUCTION, THE SWEDES ARE DIVIDED ABOUT ALLOWING INDIA TO PURCHASE LATEST MODEL OF SWEDISH SUBMARINES EVEN ON COMMERCIAL TERMS, AS THE GOI HAS OFFERED (REF. A). GOI PLANS TO BUILD UP TO TWENTY SUBMARINES UNDER LICENSE IN INDIA AFTER PURCHASING TWO OR THREE SUBMARINES CONSTRUCTED IN SWEDEN, STRIKES MANY SWEDISH GOVERNMENT OFFICIALS AS A WASTEFUL DIVERSION OF RESOURCES, WHICH IS ONLY MADE EASIER BY SWEDISH ASSISTANCE CREDITS. IF THE GOI DOES GO AHEAD WITH THE SUBMARINE PURCHASE, AS WELL AS BUYING JAGUARS FROM THE UK, THE SWEDES MAY RETHINK THEIR POLICY OF EVER-INCREASING AID ON EASY TERMS.

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